

Mrs. Martha Hughey, Assistant Vice President of Reimbursement  
National Healthcare Corporation  
100 East Vine Street  
Murfreesboro, Tennessee 37130

Re: AC# 3-CLN-J8 – National Healthcare Center of Clinton

Dear Mrs. Hughey:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period October 1, 1997 through September 30, 1998. That report was used to set the rate covering the contract periods beginning October 1, 1999.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA  
State Auditor

TLWjr/cwc

cc: Ms. Brenda L. Hyleman  
Mr. Jeff Saxon  
Mr. Robert M. Kerr

**NATIONAL HEALTHCARE CENTER OF CLINTON  
CLINTON, SOUTH CAROLINA**

**CONTRACT PERIODS  
BEGINNING OCTOBER 1, 1999  
AC# 3-CLN-J8**

**REPORT ON CONTRACT  
FOR  
PURCHASE OF NURSING CARE SERVICES  
WITH  
STATE OF SOUTH CAROLINA  
DEPARTMENT OF HEALTH AND HUMAN SERVICES**

## **CONTENTS**

	<b><u>EXHIBIT OR SCHEDULE</u></b>	<b><u>PAGE</u></b>
INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES		1
COMPUTATION OF RATE CHANGE FOR THE CONTRACT PERIODS BEGINNING OCTOBER 1, 1999	A	3
COMPUTATION OF ADJUSTED REIMBURSEMENT RATE FOR THE CONTRACT PERIODS BEGINNING OCTOBER 1, 1999	B	4
SUMMARY OF COSTS AND TOTAL PATIENT DAYS FOR THE COST REPORT PERIOD ENDED SEPTEMBER 30, 1998	C	5
ADJUSTMENT REPORT	1	7
COST OF CAPITAL REIMBURSEMENT ANALYSIS	2	9

## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

February 4, 2000

Department of Health and Human Services  
State of South Carolina  
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with National Healthcare Center of Clinton, for the contract periods beginning October 1, 1999, and for the twelve month cost report period ended September 30, 1998, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by National Healthcare Center of Clinton, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summary of Costs and Total Patient Days, and Cost of Capital Reimbursement Analysis sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and National Healthcare Center of Clinton dated as of October 1, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computation of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services  
State of South Carolina  
February 4, 2000

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA  
State Auditor

**NATIONAL HEALTHCARE CENTER OF CLINTON**

Computation of Rate Change  
For the Contract Periods  
Beginning October 1, 1999  
AC# 3-CLN-J8

Interim reimbursement rate (1)	\$97.06
Adjusted reimbursement rate	<u>95.80</u>
Decrease in reimbursement rate	\$ <u><u>1.26</u></u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 3, 1999

**NATIONAL HEALTHCARE CENTER OF CLINTON**  
Computation of Adjusted Reimbursement Rate  
For the Contract Periods Beginning October 1, 1999  
AC# 3-CLN-J8

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$42.64	\$43.78	
Dietary		9.73	9.69	
Laundry/Housekeeping/Maint.		<u>8.64</u>	<u>8.24</u>	
Subtotal	\$ <u>.70</u>	61.01	61.71	\$61.01
Administration & Med. Rec.	\$ <u>2.10</u>	<u>9.46</u>	<u>11.56</u>	<u>9.46</u>
Subtotal		70.47	<u>\$73.27</u>	70.47
<u>Costs Not Subject to Standards:</u>				
Utilities		3.57		3.57
Special Services		.45		.45
Medical Supplies & Oxygen		4.67		4.67
Taxes and Insurance		1.96		1.96
Legal Fees		<u>-</u>		<u>-</u>
<b>TOTAL</b>		<u>\$81.12</u>		81.12
Inflation Factor (3.00%)				2.43
Cost of Capital				9.48
Cost of Capital Limitation				(.50)
Profit Incentive (Max. 3.5% of Allowable Cost)				2.10
Cost Incentive				.70
Effect of \$1.75 Cap on Cost/Profit Incentives				(1.05)
CNA Add-On				.75
Nursing Aide Staffing Add-On				<u>.77</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$95.80</u>

**NATIONAL HEALTHCARE CENTER OF CLINTON**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1998  
AC# 3-CLN-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,980,987	\$ -	\$ 2,571(5) 685(5)	\$1,977,731
Dietary	452,840	-	1,542(5)	451,298
Laundry	78,407	-	-	78,407
Housekeeping	191,087	-	-	191,087
Maintenance	131,366	-	196(5)	131,170
Administration & Medical Records	765,972	25,243 (4)	351,862(5) 363(5)	438,990
Utilities	165,686	-	-	165,686
Special Services	21,134	-	230(5)	20,904
Medical Supplies & Oxygen	216,663	-	-	216,663
Taxes & Insurance	107,809	-	5,912(2) 8,360(3) 2,521(5)	91,016
Legal Fees	-	-	-	-



**NATIONAL HEALTHCARE CENTER OF CLINTON**  
Summary of Costs and Total Patient Days  
For the Cost Report Period Ended September 30, 1998  
AC# 3-CLN-J8

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&amp;HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	405,370	54,209 (6) 217 (7)	14,503(1) 1,206(5) <u>4,204(7)</u>	439,883
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Subtotal	4,517,321	79,669	394,155	4,202,835
Ancillary	(69)	-	-	(69)
Non-Allowable	328,500	14,503 (1) 5,912 (2) 8,360 (3) 361,176 (5) <u>3,987 (7)</u>	25,243(4) 54,209(6) <u>                    </u>	642,986
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Operating Expenses	<u>\$4,845,752</u>	<u>\$473,607</u>	<u>\$473,607</u>	<u>\$4,845,752</u>
TOTAL PATIENT DAYS	<u>46,381</u>	<u>-</u>	<u>-</u>	<u>46,381</u>

TOTAL BEDS 131

**NATIONAL HEALTHCARE CENTER OF CLINTON**  
Adjustment Report  
Cost Report Period Ended September 30, 1998  
AC# 3-CLN-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Accumulated Depreciation	\$ 65,594	
	Other Equity	155,302	
	Nonallowable	14,503	
	Fixed Assets		\$220,896
	Cost of Capital		14,503
	To adjust fixed assets and related depreciation to allowable HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Nonallowable	5,912	
	Property Tax Expense		5,912
	To adjust Property Tax to actual HIM-15, Section 2300		
3	Nonallowable	8,360	
	Taxes, Insurance, Licenses		8,360
	To adjust expense to actual State Plan, Attachment 4.19D		
4	Administration - Employee Benefits	25,243	
	Nonallowable		25,243
	To reverse DHHS Desk Audit Adjustment #38 State Plan, Attachment 4.19D		
5	Nonallowable	361,176	
	Nursing		2,571
	Restorative		685
	Dietary		1,542
	Maintenance		196
	Administration		351,862
	Medical Records		363
	Taxes		2,521
	Therapy		230
	Cost of Capital		1,206
	To adjust Home Office cost to allowable HIM-15-1, Section 2304		

**NATIONAL HEALTHCARE CENTER OF CLINTON**  
Adjustment Report  
Cost Report Period Ended September 30, 1998  
AC# 3-CLN-J8

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
6	Cost of Capital Nonallowable	54,209	54,209
	To adjust capital return to allowable State Plan, Attachment 4.19D		
7	Nonallowable Amortization Expense Depreciation Expense	3,987 217	4,204
	To adjust for deemed asset value limitation State Plan, Attachment 4.19D	_____	_____
	TOTAL ADJUSTMENTS	<u>\$694,503</u>	<u>\$694,503</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

**NATIONAL HEALTHCARE CENTER OF CLINTON**  
**Cost of Capital Reimbursement Analysis**  
**For the Cost Report Period Ended September 30, 1998**  
**AC# 3-CLN-J8**

	Original <u>43 Beds</u>	88 Bed <u>Addition</u>	
Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.2493</u>	<u>2.2493</u>	
Deemed Asset Value (Per Bed)	35,130	35,130	
Number of Beds	<u>43</u>	<u>88</u>	
Deemed Asset Value	1,510,590	3,091,440	
Improvements Since 1981	308,430	505,496	
Accumulated Depreciation at 9/30/98	<u>(582,760)</u>	<u>(782,260)</u>	
Deemed Depreciated Value	1,236,260	2,814,676	
Market Rate of Return	<u>.063</u>	<u>.063</u>	
Total Annual Return	77,884	177,325	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	77,884	177,325	
Depreciation Expense	45,945	161,555	
Amortization Expense	808	1,768	
Capital Related Income Offsets	(5,383)	(20,019)	
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	119,254	320,629	\$439,883
Total Patient Days (Minimum 97% Occupancy)	<u>15,224</u>	<u>31,157</u>	<u>46,381</u>
Cost of Capital Per Diem	\$ <u><u>7.83</u></u>	\$ <u><u>10.29</u></u>	\$ <u><u>9.48</u></u>

**NATIONAL HEALTHCARE CENTER OF CLINTON**  
Cost of Capital Reimbursement Analysis  
For the Cost Report Period Ended September 30, 1998  
AC# 3-CLN-J8

6/30/89 Cost of Capital and Return on Equity		
Capital Per Diem Reimbursement	\$2.30	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>	<u>N/A</u>
Maximum Cost of Capital Per Diem	<u>\$6.29</u>	<u>\$10.29</u>
Weighted Average Reimbursable Cost of		
Capital Per Diem		\$ 8.98
Weighted Average Cost of Capital Per Diem		<u>9.48</u>
Cost of Capital Per Diem Limitation		\$ <u>(.50)</u>